

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2290 - SB 2446

March 7, 2016

SUMMARY OF BILL: Creates the “Act to Restore Hope, Opportunity, and Prosperity for Everyone (HOPE) Act.” Requires, on at least a monthly basis, the Tennessee Education Lottery Corporation to provide the name, prize amount and any other available identifying information to the Department of Human Services (DHS) and the Bureau of TennCare of any individual collecting a prize of more than \$500. Any unreported lottery winnings of \$2,000 or more will trigger a mandatory fraud review at the DHS and the Bureau.

Requires the Department of Finance and Administration (F&A) and the DHS to share eligibility information with each other in a timely manner when an enrollee has been disenrolled for any reason from the Temporary Assistance for Needy Families (TANF), TennCare or Supplemental Nutrition Assistance Program (SNAP) programs.

Requires the Child Support Program to notify the SNAP if any individual has failed to cooperate with child support enforcement or the child support agency without good cause, or is delinquent on any court-ordered child support payments, including arrears and requires the DHS to terminate SNAP assistance in this case unless prohibited by federal law. The period of disqualification for recipients terminated will end once the Department has determined that such individual is cooperating with child support services and is no longer delinquent on any court-ordered child support payments, including arrears.

Requires the Department, on or before January 15 of each year, to post a report of SNAP and TANF benefit spending on its website and make a report available to the Finance, Ways and Means Committee of the Senate and the House of Representatives, the Speaker of the House of Representatives, the Speaker of the Senate, the House Minority Leader, and the Senate Minority Leader.

On a weekly basis, the DHS is required to provide the Bureau of TennCare a list of individuals and families removed from temporary assistance due to noncompliance with work requirements and requires the Bureau to disenroll any nonpregnant adult who is not compliant, unless prohibited by federal law or applicable federal court order or consent decree.

Any funds disbursed after, July 1, 2016 by the DHS through any cash diversion program is to be disbursed as a loan. Authorizes the DHS to promulgate rules establishing the terms of these loans.

The DHS is to institute a three-month, full-household sanction for the first instance of noncompliance with any temporary assistance requirement; the Department is to terminate

benefits if there is a second instance of noncompliance, unless expressly prohibited by federal law.

Prohibits, in addition to the restrictions imposed by Tenn. Code Ann. § 71-3-126, the use of funds available on electronic benefit transfer cards to purchase alcohol, liquor or imitation liquor, cigarettes, tobacco products, bail, gambling activities, lotter tickets, tattoos, travel services provided by a travel agent, money transmission to locations abroad, sexually oriented adult materials, concert tickets, professional or collegiate sporting event tickets, or tickets for other entertainment events intended for the general public. Prohibits EBT funds at all retail, jewelry stores, tattoo parlors, massage parlors, body piercing parlors, spas, nail salons, lingerie shops, vapor cigarette stores, psychic or fortune telling businesses, bail bond companies, video arcades, movie theatres, swimming pools, cruise ships, theme parks, dog or horse racing facilities, pari-mutuel facilities, sexually oriented businesses, or retail establishments where minors under 18 years of age are not permitted. Prohibits these establishments from operating automated teller machines (ATMs) that accept EBT cards and subjects them to the sanction imposed by Tenn. Code Ann. § 71-2-126(c). Any recipient found to have violated this section will be subject to penalty imposed by Tenn. Code Ann. § 71-3-126(d)(2).

Prohibits the DHS from seeking, applying for, accepting, or renewing any waiver of work requirements established under 7 U.S.C. § 2015(o). Institutes disqualification periods for instances of noncompliance.

Requires the DHS to verify identity, household composition, expenses, and any other factor affecting eligibility allowed under 7 C.F.R § 273.2(f)(3). The DHS is to communicate the expectation of mandatory cooperation with a fraud investigation and that noncompliance could result in case closure and termination of benefits within ten days. Prohibits the DHS from utilizing a simplified reporting system.

Requires the DHS to set disqualification periods for all instances of noncompliance with any food stamp program requirement, to institute a three-month, full-household disqualification period for the first instance of noncompliance and to institute a six-month, full-household disqualification period for the second instances of non-compliance, unless expressly prohibited by federal law.

Requires the DHS to place a photograph of the recipient on any EBT card issued by the Department, unless the recipient declines to have it included. The DHS is to send all recipients that have requested three replacement cards within a 12 month period a letter informing them that another request will require a face-to-face interview with a fraud investigator and eligibility expert. If a recipient fails to appear at the interview, the DHS will terminate the recipient's benefits within ten days unless prohibited by federal law.

Requires the Department of Finance and Administration (F&A) to establish a computerized income, asset, and identity eligibility verification system in order to verify eligibility, eliminate duplication of assistance, and deter waste, fraud, and abuse within each respective assistance program administered by the Department. All applications for benefits must be processed within the lesser of a ten-day period or the minimum required by federal law. Prior to awarding

assistance, the Department of F&A is to verify identity information against certain criteria. Requires the Department of F&A to review respective applicant's or recipient's identity ownership. The Department is to provide a written report to the General Assembly and the Office of the Inspector General of the Department of F&A detailing the effectiveness and general findings of the eligibility verification system.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$1,866,800/One-Time
\$75,240,600/Recurring**

**Increase Federal Expenditures – \$4,064,800/One-Time
\$72,500/Recurring**

Assumptions:

- The federal government currently requires states to centralize the collection and disbursement of certain child support orders and requires a \$25 annual user fee on individuals utilizing the centralized system, unless such individuals have received assistance under the Temporary Assistance for Needy Families (TANF) program.
- The user fee is to be assessed after \$500 is collected in child support during a federal fiscal year.
- The proposed legislation would require the DHS to cover the cost of the fee unless the non-custodial parent has paid all child support owed to date and paid the fee.
- In FY14-15, the DHS collected \$1,723,275 of which 66 percent was required to be returned to the federal government.
- Under current practices, the DHS retains 34 percent of the \$25 fees collected to maintain the Child Support program.
- The proposed legislation would no longer allow the DHS to maintain the Child Support program by utilizing the \$25 fee that is currently recorded as service revenue.
- The increased recurring state expenditure for maintaining the Child Support program is estimated to be \$585,914 ($\$1,723,275 \times 34$ percent).
- Assuming the same potential of collections and in lieu of revenue, a recurring increase in state expenditures is estimated to be \$1,137,361 ($\$1,723,275 \times 66$ percent) to reimburse the federal government.
- Based on information provided by the DHS, in calendar year 2015 there was an average of 1,007,059 active EBT cards per month. Each month, on average, 25,159 EBT cards were issued. The Department pays a cost per case type per month. TANF only cases cost \$0.43 per month, SNAP only cases cost \$0.55 per month, and TANF and SNAP cases cost \$0.83 per month. The cost to dispose of any active EBT cards is \$1.50 per card and the cost to add a photo is \$0.60 per card.
- Assuming 80 percent of individuals opt to have a photo on the EBT card, it is estimated 805,647 ($1,007,059 \times 0.80$) individuals will need to dispose of the old card. Assuming

80 percent of individuals each month opt to add a photo to the EBT card, it is estimated 20,127 ($25,159 \times 0.80$) individuals will need a new EBT card with a photo.

- The total one-time expenditures associated with disposing of old EBT cards is estimated to be \$1,691,859 [$805,647 \text{ active EBT cards} \times (\$1.50 + \$0.60)$] and the recurring state expenditures associated with issuing new EBT cards with photos is estimated to be \$144,914 ($20,127 \text{ new EBT cards issued each month} \times 12 \text{ months} \times \0.60).
- These one-time funds will receive the standard match of 50 percent state funds and 50 percent federal funds, resulting in \$845,930 ($\$1,691,859 \times 0.50$) in state funds and \$845,930 ($\$1,691,859 \times 0.50$) in federal funds.
- The recurring funds will receive the standard match of 50 percent state funds and 50 percent federal funds, resulting in \$72,457 ($\$144,914 \times 0.50$) state funds and \$72,457 ($\$144,914 \times 0.50$) in federal funds.
- The DHS will need to make system modifications to the Automated Client Certification Eligibility Network for Tennessee (ACCENT) and Tennessee Child Support Enforcement Services (TCSES) systems in order to implement the requirements of the proposed legislation. For this estimate, the following rates are assumed: contractor business analysts \$69 per hour, programmer/developer \$65 per hour, and policy staff \$62 per hour. It is estimated 11,228 hours will be required to complete all system modifications which include, developing system requirements.
- The total expenditures for updating the ACCENT and TCSES are estimated to be \$738,130 for the 11,228 hours needed to complete all system modifications.
- Of the \$738,130 for system modifications, \$490,440 of this will be split 86 percent to SNAP and 14 percent to TANF resulting in \$421,778 ($\$490,440 \times 0.86$) to SNAP and \$68,662 ($\$490,440 \times 0.14$) to TANF. The remaining \$247,690 will be split between 66 percent child enforcement funds and 34 percent state appropriations, resulting in \$163,475 ($\$247,690 \times 0.66$) child enforcement funds and \$84,215 ($\$247,690 \times 0.34$) in state appropriations.
- Based on information provided by the DHS, the state does not currently impose child support requirements in order to be eligible for SNAP benefits. It is estimated there will be an increase in caseloads for the Child Support Division of at least 170,000 cases to meet the requirements of the proposed legislation.
- The DHS currently contracts out their child support enforcement. Based on current Child Support Enforcement contractor staffing models, it is estimated that 254 new positions will be required to handle the increase in caseloads. The projected contractor child support costs are \$12,771,372.
- The DHS cannot enforce the requirements on limits on ATMs that accept EBT cards within existing resources. The average number of TANF recipients the DHS Office of Inspector General was responsible for monitoring was 33,419 in the second quarter of FY2016.
- Assuming each inspector is responsible for 50 reviews, an additional 668 ($33,419 \text{ reviews} / 50 \text{ reviews per investigator}$) Special Investigator positions will be needed to perform the required quarterly review of all retail locations.
- The average salary and benefits for a Special Investigator position is \$56,470. The expenditures associated with these additional positions are estimated to be \$37,721,960 ($\$56,470 \times 668 \text{ positions}$).

- It is estimated an additional 50 support staff will need to be hired to support the Special Investigators: 22 Secretaries, eight Administrative Assistants, 12 Administrative Services Assistant 2 positions, and eight Administrative Secretaries.
- The recurring expenditures associated with the additional positions are estimated to be \$9,497,724 (\$1,951,544 salaries and benefits + \$7,546,180 operational costs).
- The increased recurring expenditures associated with travel for these inspections are estimated to be \$11,308,990 [(33,419 reviews x 12 months) x (60 miles x \$0.47/mile)].
- Based on information provided by the DHS, in calendar year 2015 there were a total of 5,506 fourth card replacement letters sent out to clients. Assuming a 20 percent decrease in fourth card replacement letters for FY16-17, it is estimated the DHS will end up conducting 4,405 face-to-face interviews [5,506 – (5,506 letters x 0.20)].
- The DHS will need to hire three additional Eligibility Counselors (EC) and five Special Investigators (SI) to accommodate the face-to-face interviews with a fraud investigator and an eligibility expert. The average salary for an EC is \$43,670 and \$56,470 for an SI.
- The increase in expenditures for the additional three EC positions and five SI positions are estimated to be \$413,360 [(3 positions x \$43,670) + (5 positions x \$56,470)].
- The increased recurring expenditures associated with travel for these interviews are estimated to be \$124,221 (4,405 interviews x 60 miles x \$0.47/mile).
- The one-time expenditure associated with reporting SNAP and TANF benefit spending and ATM monitoring is estimated to be \$60,000 (10,000 installation fee for ATM monitoring + \$35,000 Customer Care and Telecom costs + \$15,000 reporting function costs).
- The recurring expenditures associated with reporting SNAP and TANF benefit spending and ATM monitoring is estimated to be \$120,000 (\$10,000 annual minimum fee x 12 months).
- Training will be required of Family Assistance staff for changes to the program policies and operations found in the proposed legislation. The training costs are estimated to be \$21,658 (\$4,403 printing of learner guides and training material + \$7,703 statewide travel and overnight accommodations for OLPD staff + \$9,552 travel for Family Assistance staff).
- The recurring expenditures associated with mass notification of SNAP and TANF requirement changes are estimated to be \$1,487,260 (\$371,815 cost of mailing 567,051 letters x 4 letters).
- The Bureau of TennCare will need 18 different interfaces to implement the requirements of the proposed legislation; the cost is estimated to be \$3,420,000.
- All Medicaid Management Information Systems (MMIS) operations receive the standard allowable 75 percent federal match. Of the \$3,420,000, \$855,000 (\$3,420,000 x 0.25) would be state funds and \$2,565,000 would be federal funds.
- The Department of Veterans Services can provide information within existing resources.
- According to information provided by Tennessee Housing Development Agency, if the proposed legislation passes and the DHS has to confirm whether an individual has participated in Section 8 or the Low Income Energy Assistance Program, the Agency can accomplish this within existing resources.
- The Division of Benefits Administration does not participate in any public assistance programs. There are some references to the Department of Finance and Administration,

but those references appear to be because the Department of Finance and Administration houses Health Care Finance and Administration.

- The Treasury Department currently maintains pension information for members of the Tennessee Consolidated Retirement System. It is assumed that the Treasury Department will share such pension information to the extent it is currently maintained and in the format in which the Treasury Department maintains it. The bill will have no impact on the Treasury Department.
- The total increase in one-time state expenditures is estimated to be \$1,866,803 (\$845,930 + \$84,215 + \$60,000 + \$21,658 + \$855,000).
- The total increase in recurring state expenditures is estimated to be \$75,240,619 (\$585,914 + \$1,137,361 + \$72,457 + \$12,771,372 + \$37,721,960 + \$9,497,724 + \$11,308,990 + \$413,360 + \$124,221 + \$120,000 + \$1,487,260).
- The total increase in one-time federal expenditures is estimated to be \$4,064,845 (\$845,930 + \$421,778 + \$68,662 + \$163,475 + \$2,565,000).
- The total increase in recurring federal expenditures is estimated to be \$72,457.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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